



AAFAF traza panorama optimista y mayor **responsabilidad fiscal** para PUERTO RICO

MESA INFORMATIVA

Miércoles, 3 de febrero de 2021

AAFAF



EXECUTIVE SUMMARY

UNEXPECTED HEADWINDS

Over the past three years, Puerto Rico has faced numerous unexpected challenges including natural disasters, a governance disruption and the COVID-19 pandemic. These unexpected headwinds have added an additional layer of complexity in the efforts to improve the Island's fiscal and economic position. Even with major disruptions caused by these unprecedented events, the Government has made significant progress.

DEBT RESTRUCTURING EFFORTS

- Achieved - Less than one year after PROMESA's enactment, the Government successfully restructured GDB's claims covering the first \$5 billion of the Commonwealth's \$74 billion of funded debt. Shortly after, the Government completed restructuring COFINA, PRASA, and PRIFA-Ports, all during the backdrop of multiple creditor-initiated litigations involving the Government and Oversight Board. Addressing these legal actions often absorbed significant Government resources, yet progress continued.
- AAFAF and PRASA successfully refinanced \$1.4 billion of PRASA's outstanding public debt generating \$350 million in total debt service savings and approximately \$13 million in average annual debt service savings, marking PRASA's return to the capital markets after eight years.
- In Process - Significant advances has been made toward completing the remaining complex restructurings of the Commonwealth, PREPA and PRIDCO. The net result is that final exit from Title III is in sight.

KEY ACCOMPLISHMENTS

With the objective of returning Puerto Rico to fiscal and economic stability, the Government has achieved significant milestones towards exiting Title III, including the following:

- Swift and effective response to the COVID-19 pandemic
- Significantly reduced government expenses
- Increased TSA cash
- Enactment of Act 106 to provide stability to the Government's (ERS) pension system
- Agency consolidations, increased transparency of public funds and implementation of structural reforms

UNEXPECTED HEADWINDS

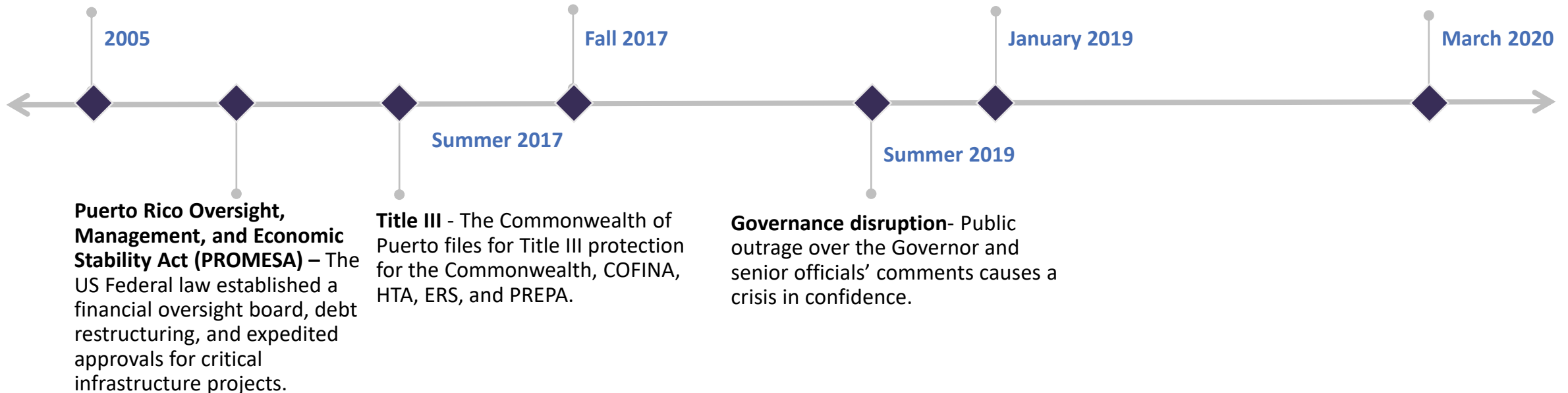
Following the enactment of PROMESA, the Commonwealth of Puerto Rico has encountered a multitude of unexpected – and uncontrollable – headwinds due to hurricanes, earthquakes, a government crisis, and the COVID-19 pandemic.

Economic conditions - Since 2005, the number of people living under the poverty line has increased, while Puerto Rico's economy began to contract, experiencing a sharper decline than the rest of the United States.

Hurricanes - Hurricanes Maria and Irma inflicted unprecedented damage on Puerto Rico, leaving large segments of the population without power for months, causing the longest and largest power outage in US history.






Earthquakes - Puerto Rico suffered the most serious earthquakes in recent memory, resulting in structural damage to buildings across southwestern Puerto Rico.

COVID-19 - Puerto Rico's economic situation, still reeling from the effects of natural disasters, is further exacerbated by the COVID-19 pandemic.



PUBLIC PRIVATE PARTNERSHIPS – SAVINGS & INNOVATION

Puerto Rico is transforming the economy and standard of living by improving infrastructure and services through effective integration of the private sector's innovation and expertise.

PREPA		Transmission and Distribution	\$323 MM	Cumulative Net O&M Savings by FY2027
		Generation Transformation	August 2021	Target Completion Date
MTA		O&M Contract for MTA's Ferries System	\$337 MM	Estimated Savings
Ports		Modernization of the San Juan Bay Cruise Terminals	\$340 MM	Estimated Investment
		O&M Service Contract for Puerto Rico's Regional Airports	7 Years	Estimated Contract Term

HEALTHCARE REFORM

The Government has completed the implementation of initiatives that will help control healthcare cost inflation. Additionally, the Puerto Rico Health Insurance Administration (“ASES”) is continuing the design and implementation of the Diagnosis Related Group (DRG) inpatient hospital payment reform that will establish the foundation for additional value-based payment models.



**Launch new
Managed Care Model**



**Reform Pharmacy
Reimbursement**



**Lower
Prescription Drug
Cost Inflation**



**Share with
Managed Care
Organizations
(MCOs)**



TOURISM SECTOR REVITALIZATION

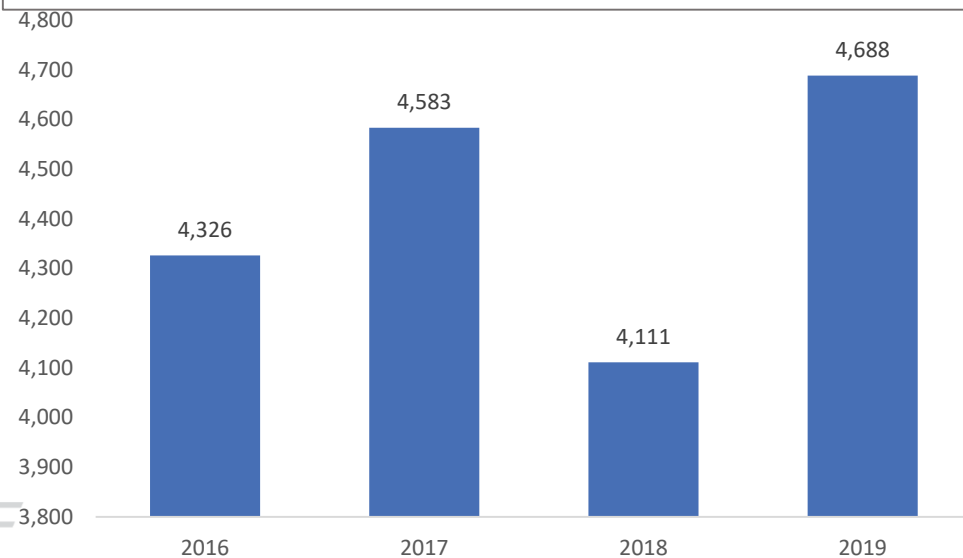
estimated
7x
return for every \$1
invested by DPR

DISCOVER PUERTO RICO (DPR) AND PUERTO RICO TOURISM COMPANY (PRTC) MEASUREABLE RESULTS

- ❑ 115% increase in internet searches for San Juan compared to 2018
- ❑ Designation as top travel destination in 22 leading travel and lifestyle publications in 2019
- ❑ Direct and indirect employment of 80,000 people in Puerto Rico
- ❑ 6.5% contribution to Island's Gross Domestic Product (GDP) from tourism sector
- ❑ Additional contributions to 17 other sectors of the economy
- ❑ Significant increase in lodging demand and airport arrivals during 2019, achieving a record performance

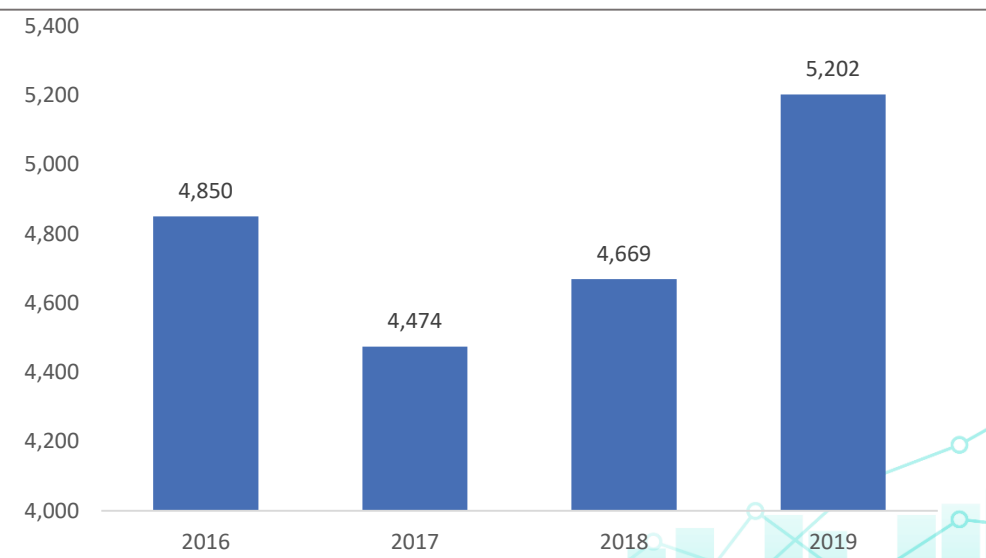
Visitor demand exceeded 2018 by 14% | All-time record performance

Lodging Demand (rented units per night)



Airport arrivals increased by 7.3% from 2016 to 2019

Airport Arrivals



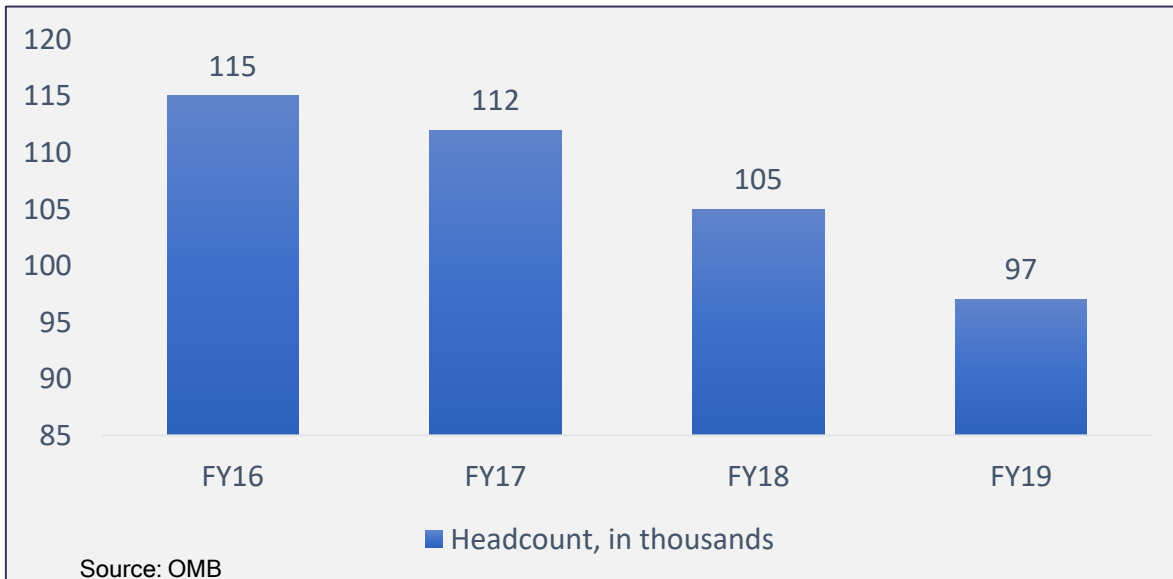
EFFICIENCY IN GOVERNMENT

The Government has achieved significant headcount and payroll reductions, as outlined below.

19%
reduction of Payroll
expenses and
\$1 billion
(or 20%) non-payroll
operating expense

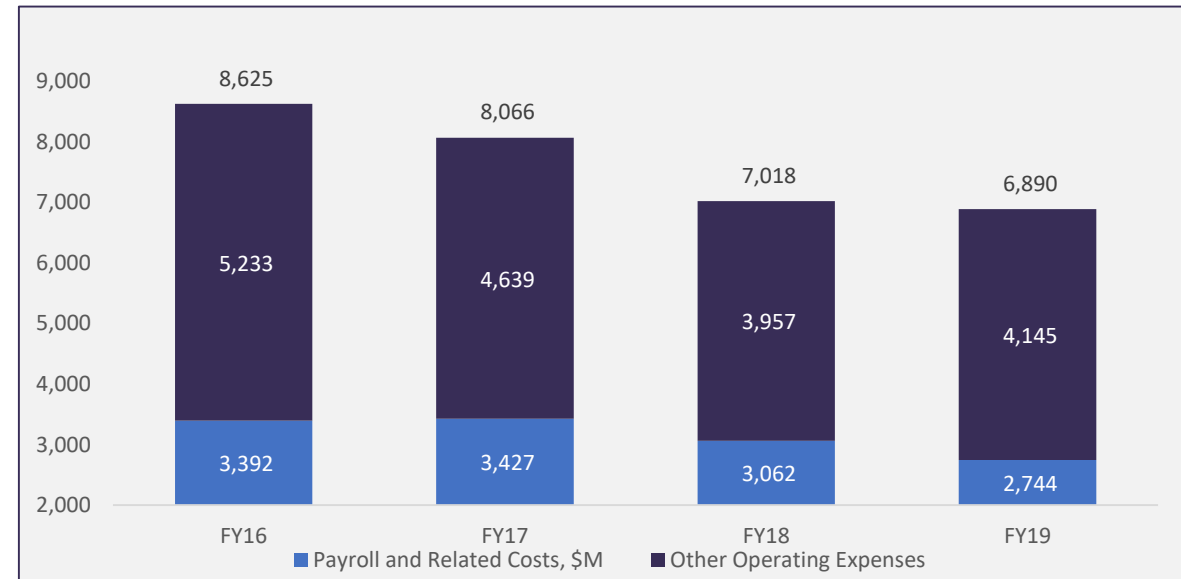
HEADCOUNT REDUCTION

Total cumulative headcount reduction of ~18,000 employees via natural attrition, early retirement and voluntary transition programs since 2016.



PAYROLL REDUCTION

The decrease in headcount resulted in a 19% reduction of Payroll expenses and \$1 billion (or 20%) non-payroll operating expense over the same period.

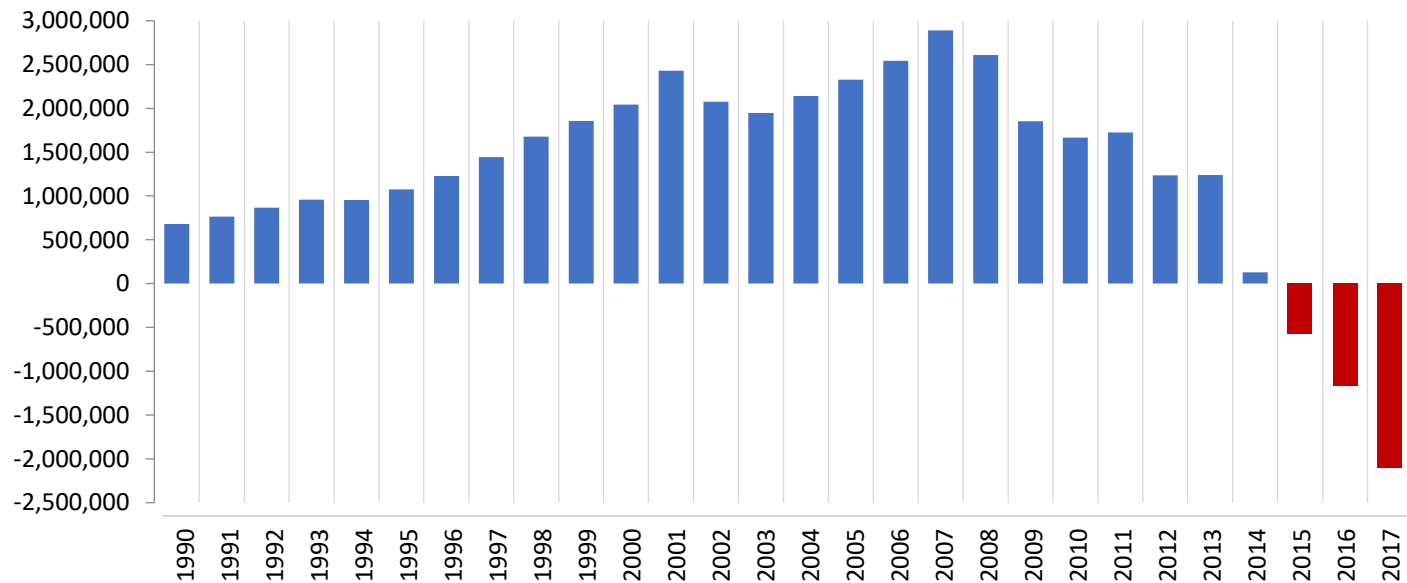


Figures above exclude Paygo costs and Debt Payments; FY2019 figures are estimates; FY2020 figures budgeted. Source: OMB

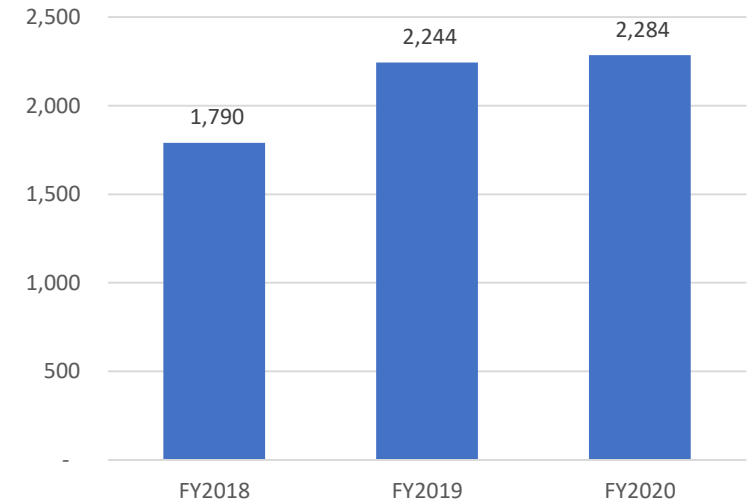
PENSIONS-TAKING CARE OF OUR RETIREES

ERS assets have been depleted by past mismanagement, but the Government has made the necessary adjustments to continue paying benefits to our retirees.

ERS Net Assets (\$ in thousands)



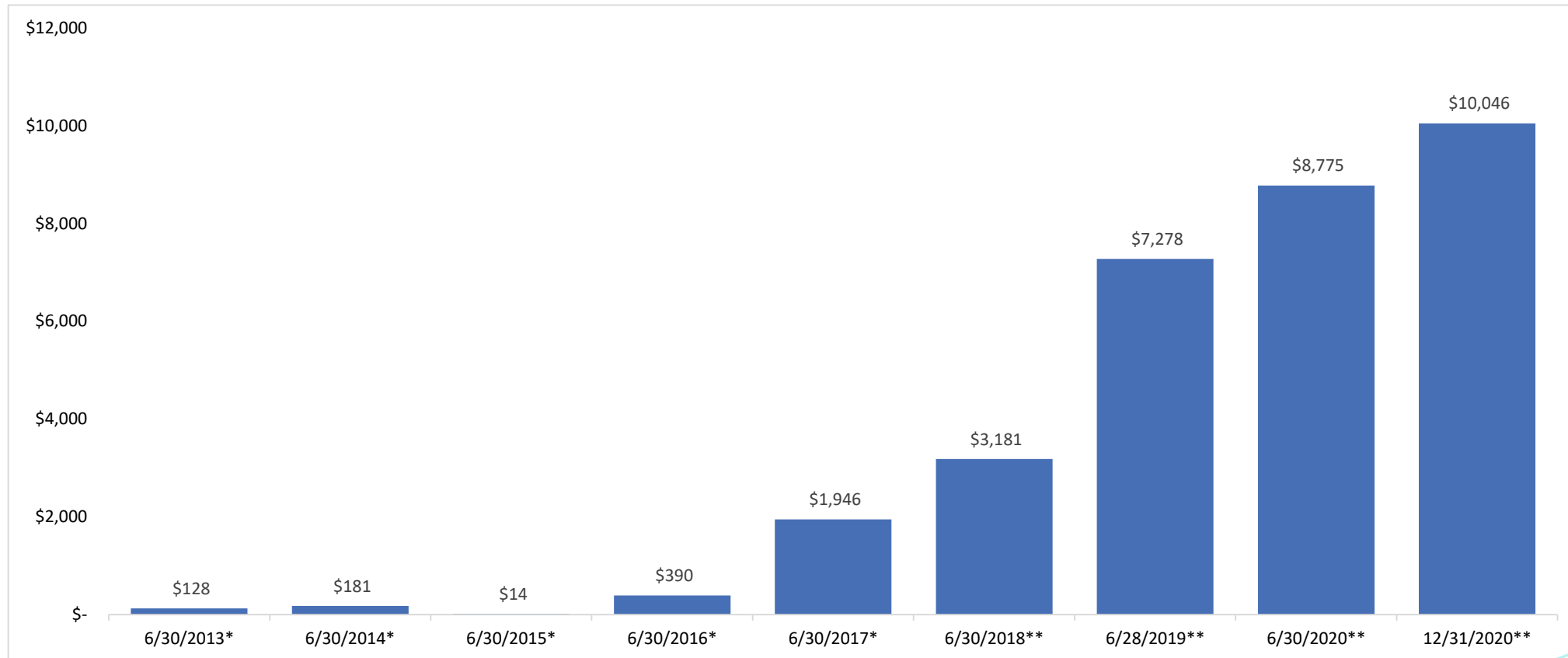
Total PayGo Expenditures (\$ in millions)¹



CASH ON HAND AT THE TREASURY

Since 2013, the Treasury Single Account (TSA) balance has increased to over \$10 billion. Prior to this, the TSA cash balance reached as low as \$13.8 million in June of 2015.

(\$ in millions)



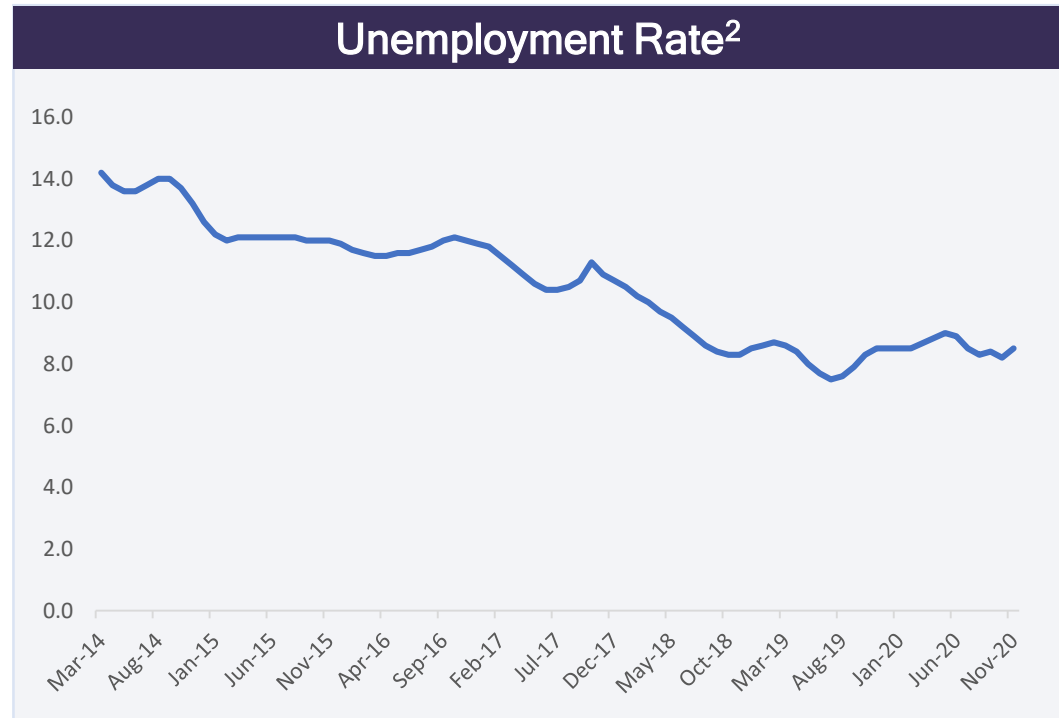
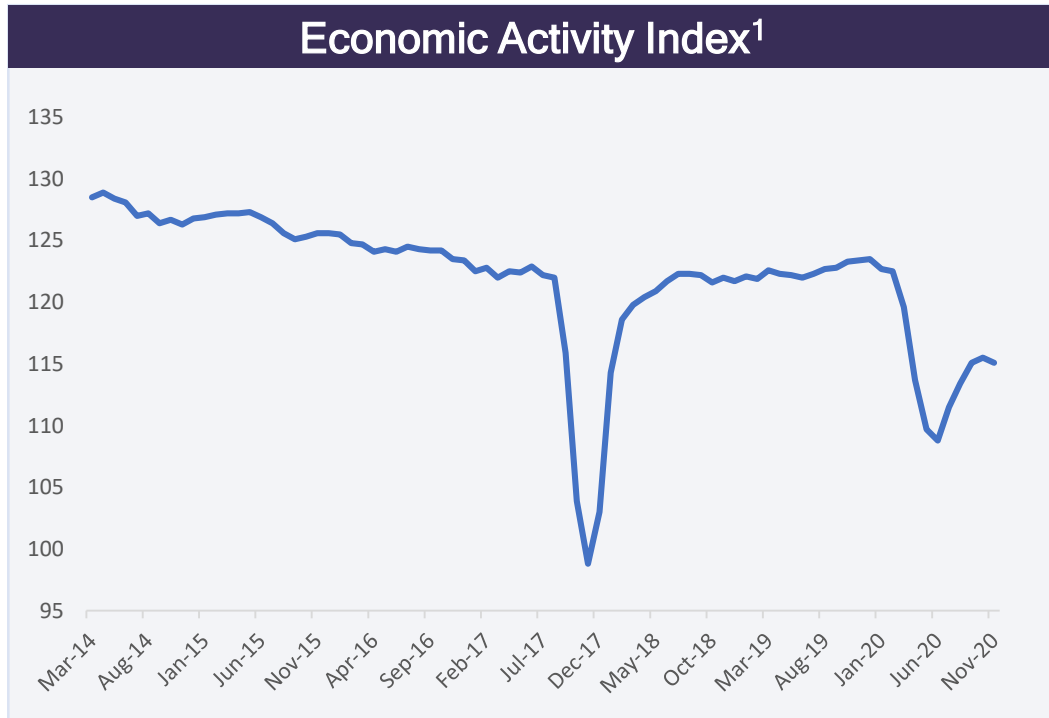
*Totals include clawback account balances, although they are typically excluded from presented TSA Total Cash Balance

**Inclusive of TSA Sweep Account



ECONOMIC INDICATORS-THE SIGNS ARE CLEAR

While hurricanes in late 2017 affected virtually all aspects of the economy sharply and negatively, there are signs of a positive recovery. The COVID-19 pandemic has added pressure to Puerto Rico's economy, along with the rest of the world, but the Government is optimistic it can continue its recovery following the pandemic.



¹ Economic Development Bank

² Bureau of Labor Statistics. March 2020 and April 2020 data not available.

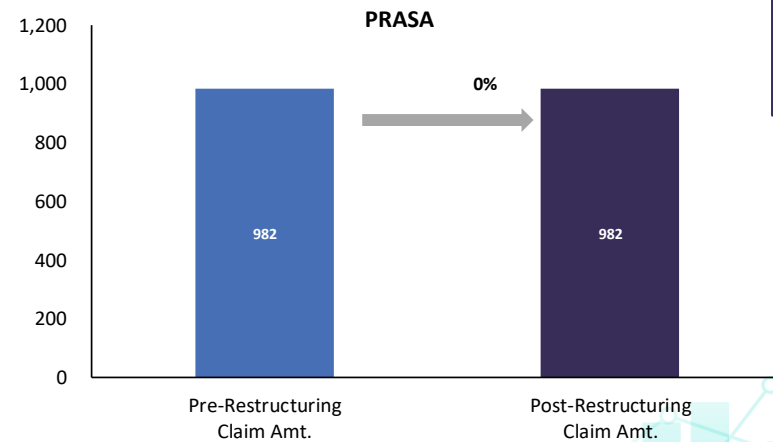
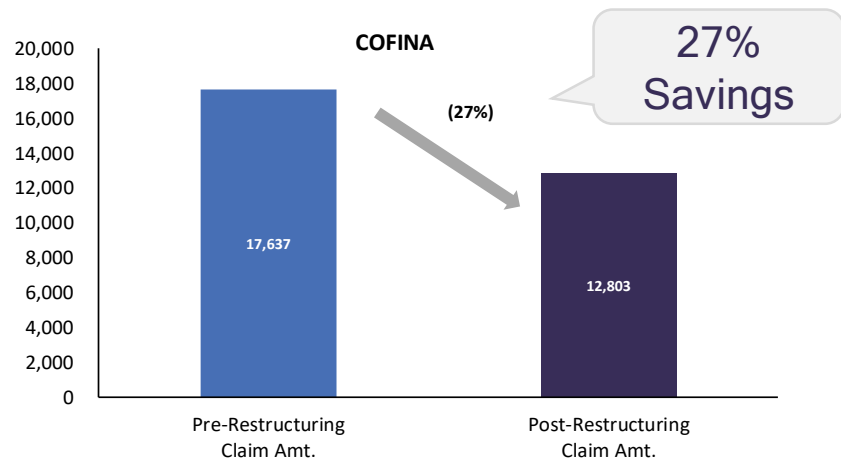
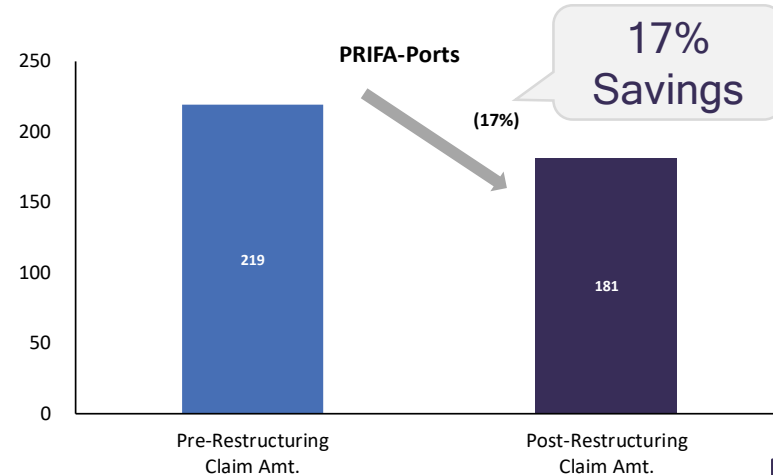
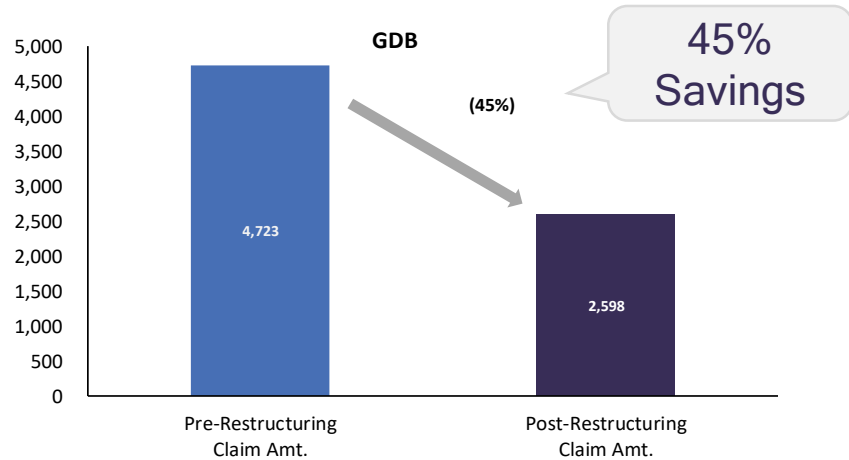


DEBT RESTRUCTURINGS-GAINING CREDIBILITY

The Government and the FOMB have shown the willingness and ability to reach consensual deals, having restructured over \$23 billion of existing indebtedness through the various mechanisms available under PROMESA, resulting in a ~30% reduction in debt.

~30%
reduction in debt

(\$ in millions)



Restructuring resulted in the termination of 100% of CW Guarantee and amended terms favorable to PRASA

RESTRUCTURING STATUS: COMMONWEALTH POA

The restructuring of the Commonwealth has been a complex process - involving ~\$35 billion of claims across many and very different creditor groups. The Government is committed to collaborating with all stakeholders to reach a consensual agreement in order to get out of bankruptcy and paving the way for increased investment in Puerto Rico while protecting our retirees.

Original POA - Oversight Board filed a joint Plan of Adjustment for the Commonwealth, Employees Retirement System, and Public Buildings Authority.

September 2019

End of round of mediation - Oversight Board released documents exchanged during mediation between the FOMB and Creditors regarding a new Commonwealth Plan Support Agreement. The proposal from the FOMB called for a decrease in total consideration, while the counter proposal from Creditors included little or no change to total consideration.

September 2020

Mediation resumes - The mediation process resumed in December 2020, with the Government taking part, and the FOMB and Creditors exchanging proposals and counterproposals intending to agree upon a term sheet by the February 10, 2021 deadline.

December 2020 - January 2021

February 2020

First Amended POA - Oversight Board filed the first amended plan of adjustment.

October 2020

Creditor Motion - A group of creditors filed a joint motion to impose deadlines on the FOMB for filing and confirmation of a Plan of Adjustment. Judge Swain has subsequently ruled that the Oversight Board, at a minimum, file a term sheet for an amended plan of adjustment and provide a timeline for ultimate case resolution on or before February 10, 2021.

DEBT ISSUANCE-GAINING CREDIBILITY AND MARKET ACCESS

On September 29, 2020, PRHFA and AAFAF successfully refinanced \$300 million of PRHFA's outstanding public debt generating \$70 million in total debt service savings and approximately \$9 million in average annual debt service savings.

On December 9, 2020, PRASA and AAFAF successfully refinanced \$1.4 billion of PRASA's outstanding public debt generating \$350 million in total debt service savings and approximately \$13 million in average annual debt service savings, marking PRASA's return to the capital markets after eight years.

PRASA: ~\$350
Million in total debt service savings

PRHFA: ~70
Million in total debt service savings

PRASA

\$350 million
in total debt service savings
(Average \$13M per year)

All in Cost 4.36% with 15% in debt service NPV savings

\$3.1 billion
in orders
(2.5x amount of available bonds)

PRHFA

\$70 million
in total debt service savings
(Average \$9M per year)

All in Cost 1.28% with 15% in debt service NPV savings

\$750 million
in orders
(3.0x amount of available bonds)

- **Access to Capital Markets:** PRASA regained access to the capital markets at reasonable rates, evidenced by recognition of market participants of its achievements on fiscal, financial and operational matters.
- **Debt Service Savings:**
 - **PRASA:** Annual debt service savings will reduce PRASA's financial gap and provide fund for its capital improvement program;
 - **PRHFA:** Annual debt service savings will allow for additional Capital Fund Grants flowing to PR Public Housing Administration for the rehabilitation and construction of low-income housing.
- The PRASA refunding bonds were sold without a debt service reserve fund.
- The PRASA refunding marked the first step towards changing the lien securing PRASA's senior indebtedness from the current **gross revenue pledge to a net revenue pledge upon the receipt of the consent of all other senior creditors.**

RESPONSE TO COVID-19 PANDEMIC



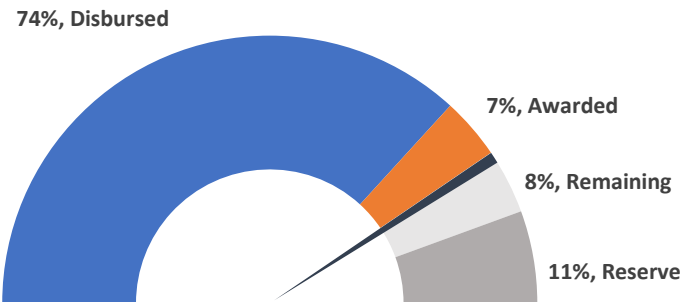
\$5.4M

CRF funds disbursed on average per day since March 25, 2020

Puerto Rico has been leading the way among states in **disbursing \$1.8 billion in CRF funds** to date, helping the individuals, businesses, non-profits, and public-sector agencies in Puerto Rico that need it the most. AAFAF's fiscal agent role and responsibility extends over the Commonwealth funded \$787 million Emergency Measures Support Package and the federally funded \$2.2 billion CRF. Our collective response has been strong and meaningful.

Puerto Rico has maintained 100% CRF reporting compliance with the Office of Inspector General.

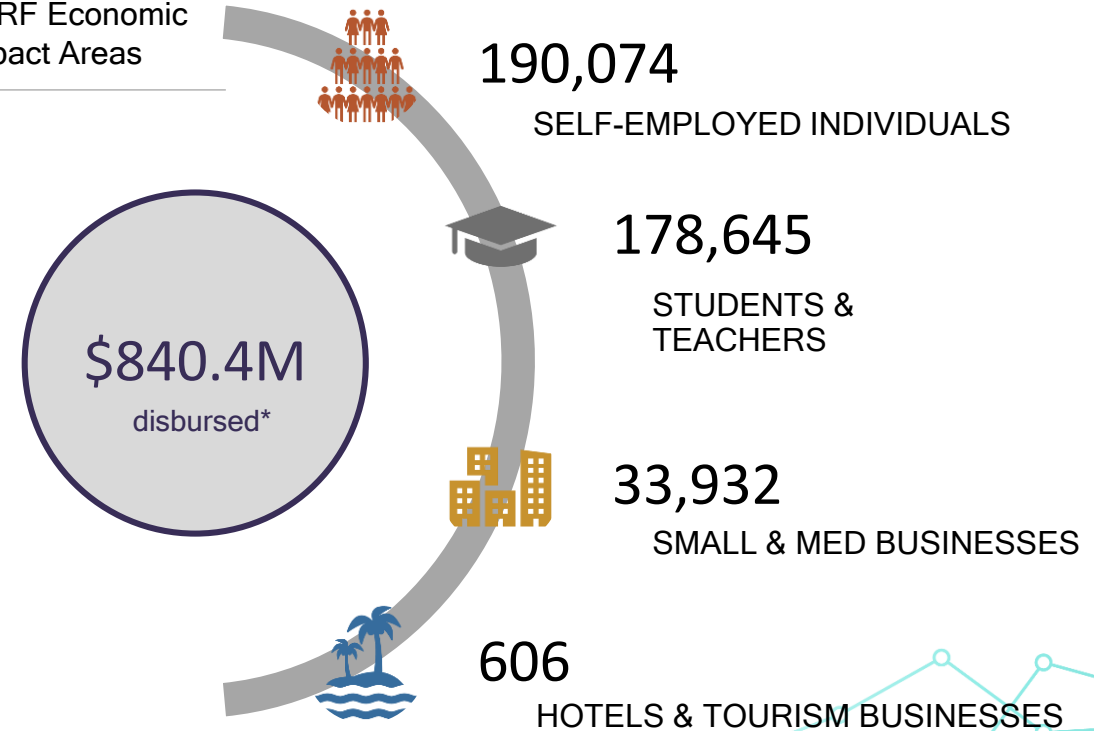
Current Disbursement of CRF Funds



Current Allocation Of CRF Funds By Impact Area



Key CRF Economic Impact Areas



*includes \$300M for Unemployment Trust Fund impacting 362,067 individuals



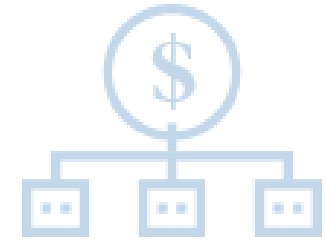
AAFAF's Next Steps



Fiscal Plan & Budget Support



POA & Debt Restructuring Efforts (PREPA & PRIDCO)



Continue Support to Federal Affairs



Continue Support to COVID-19 CRF Funds, Local Incentives (\$787mm) & Disaster Funds

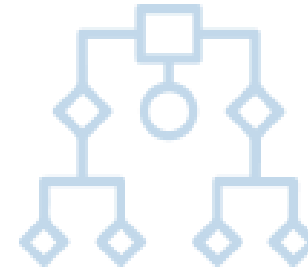


Support to the OCFO

AAFAF's Next Steps



Strategic Project Support (PREPA & MTA)



Structural Reforms & Fiscal Measures



Broadband Infrastructure



Government Capacitation Institute



Media Workshop (Forums, Roundtables & Investors Call)

SUMMARY

PRIORITIES

- Fiscal Plan & Budget support
- P3 Transitions (PREPA & MTA)
- Hacienda support (Act 154, OCFO, Fin. Statements)
- Government Capacitation Institute
- Transparency & Accountability
- Federal Funds (COVID-19)
- Debt negotiations
- Media Workshop Roundtables/Investor calls/Forums

KEY PRIORITIES

- Finalize Commonwealth Plan of Adjustment (POA)
- Finalize PREPA, PRIDCO and UPR Restructurings
- Continue Execution of Fiscal Plan Initiatives and jumpstart reconstruction initiatives
- Provide necessary support for federal funds and local incentive disbursements (CRF & Local Incentives)

Objectives

- Achieve Fiscal responsibility and access to capital markets**
- As Gov's platform establishes, ensure debt is reduced to sustainable levels**
- Support the CFO (Hacienda) in tax & revenue collection and with public debt restructuring.**
- Provide financial support on ACT 154 to DDEC & Hacienda**

AAFAF

